

Message Text

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TAGS: ETRD, ETRN, GE

SUBJ PLACEMENT OF INSURANCE ON SHIPMENTS IN EAST-WEST TRADE

REF: STATE 120791

PASS COMMERCE/BEWT FOR SUZANNE PORTER

1. SUMMARY. ACCORDING TO EAST GERMAN OFFICIALS, INSURANCE ON GDR'S EAST-WEST CARGO SHIPMENTS PROVIDED PRIMARILY BY DARAG, EAST GERMAN INSURANCE COMPANY. HOWEVER, THERE IS NO LEGAL OR FORMAL DISCRIMINATION AGAINST WESTERN INSURERS, BUT RATHER A DE FACTO SITUATION RESULTING FROM ABILITY OF EAST GERMAN FOREIGN TRADE ORGANIZATIONS (FTO) TO OBTAIN CONTRACTUAL PROVISIONS SPECIFYING THAT THEY ARE TO ARRANGE FOR NECESSARY INSURANCE COVERAGE. AS REGARDS REINSURANCE, SPREADING OF RISK AND COMMERCIAL CONSIDERATIONS ARE ALL-IMPORTANT TO DARAG, WITH MUCH OF THIS BUSINESS GOING TO WESTERN FIRMS. INTERESTS EXPRESSED BY EAST GERMANS IN INSURING POSSIBLE TURN-KEY CONSTRUCTION PROJECTS IN GDR BY US COMPANIES. END SUMMARY.

2. MISSION OFFICER MET JUNE 12 WITH ROLF WETZEL, D DIRECTOR GENERAL OF DARAG(DEUTSCHE AUSLANDS-UND RUECKVERSICHERUNGS-AG); FRITZ SCHMIED OF GDR MINISTRY
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FOR FOREIGN TRADE AND JOHANNES DOELLING, GDR CHAMBER FOR

FOREIGN TRADE, TO DISCUSS QUESTIONS RAISED IN REFTTEL. IN PLEASANT, SEEMINGLY FRANK EXCHANGE LASTING IN EXCESS OF ONE HOUR, EAST GERMANS SOUGHT TO GIVE IMPRESSION THAT, ALTHOUGH DARAG IS SOLE GDR ENTITY AUTHORIZED TO ENGAGE IN INSURANCE OR REINSURANCE OF FOREIGN TRADE ACTIVITIES, EXTENT OF ITS INVOLVEMENT IN SUCH BUSINESS IS DETERMINED BY ABILITY OF EAST GERMAN FTOS TO CONTROL PLACEMENT OF INSURANCE.

3. THERE IS NO LEGAL OR POLICY REQUIREMENT THAT GDR TRADE WITH WEST MUST BE INSURED WITH DARAG. FTOS ARE REQUIRED BY GDR REGULATIONS (GDR LEGAL BULLETIN, PART II, NO.101, DECEMBER 20, 1969) TO INSURE CERTAIN OF THEIR ACTIVITIES, BUT ONLY TO EXTENT THAT FTOS ARE ABLE TO CONTROL PLACEMENT OF POLICY ARE THEY COMPELLED TO BUY INSURANCE FROM DARAG, WETZEL ESTIMATED THAT 40-80 PERCENT OF GDR'S TRADE WITH WEST INSURED BY DARAG BUT HE UNABLE PROVIDE MORE DETAIL SINCE FIGURE VARIES CONSIDERABLY OVER TIME, ACCORDING TO STRENGTH OF RELATIVE MARKET POSITIONS OF GDR AND WESTERN PARTNERS TO COMMERCIAL TRANSACTIONS. ANOTHER FACTOR ENTERING INTO SITUATION IS SMALL SHARE OF GROSS AMOUNT OF INDIVIDUAL TRANSACTIONS ACCOUNTED FOR BY INSURANCE COST AND FREQUENT AMBIVALENCE OF WESTERN FIRMS TOWARD INSURER USED.

4. INGOSSTRAKH AND WHOLLY-OWNED SOVIET INSURANCE COMPANIES CHARTERED UNDER WESTERN LAWS DO NOT INSURE DIRECTLY ANY OF GDR'S TRADE WITH WEST SINCE, TO EXTENT FTO CONTROLS PLACEMENT OF INSURANCE, DARAG MUST BE INSURER. AS REGARDS REINSURANCE, PRIMARY OBJECTIVES OF DARAG ARE SPREADING OF RISKS AND BEST POSSIBLE TERMS. ACCORDING TO WETZEL, DARAG IS A SOUND COMPANY, WITH SIZEABLE HARD CURRENCY RESERVES AND WILL ACCEPT FOR ITSELF EXPOSURE ON INDIVIDUAL TRANSACTIONS UP TO EQUIVALENT OF DOLS 1 MILLION. RELATIONS WITH WESTERN REINSURERS (PRIMARILY IN LONDON MARKET) ARE EXCELLENT BUT SOME BUSINESS DOES GO TO INGOSSTRAKH. DARAG IS ALSO ACTIVE AS REINSURER BUT WATCHES CAREFULLY POSSIBLE EXPOSURE TO NATURAL CALAMITIES SUCH AS HURRICANES WHICH AFFLICTED EASTERN COAST OF US IN EARLY 1960S, CAUSING DARAG SUBSTANTIAL HARD CURRENCY LIMITED OFFICIAL USE

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LOSSES.

5. ANSWER TO QUESTIONS IN PARAS 5 AND 6 OF REFTTEL IS NO. ANSWER TO QUESTION 6 WAS CONFIRMED BY FRG INNER-GERMAN TRADE OFFICE IN BERLIN.

6. WETZEL SAID THAT DARAG WOULD BE INTERESTED IN INSURANCE OF TURN-KEY CONSTRUCTION PROJECTS BY US FIRMS IN

GDR. TO LIMIT ITS EXPOSURE, DARAG WOULD BE PREPARED TO SEEK PARTICIPATION OF AMERICAN REINSURERS. IN RESPONSE TO QUERY, WETZEL SAID HE KNEW OF NO PLANS FOR SUCH CONSTRUCTION PROJECTIONS BUT THOUGHT THIS WOULD BE A FIELD WHERE CONSIDERABLE ACTIVITY MIGHT OCCUR IN FUTURE. WHEN ASKED WHETHER AMERICAN INSURERS OF SUCH PROJECTS WOULD BE ABLE TO SEND ADJUSTORS TO CONSTRUCTION SITES TO INVESTIGATE POSSIBLE LOSSES, WETZEL SAID THIS WOULD BE A MATTER FOR EAST GERMAN IMMIGRATION AUTHORITIES. BEST SOLUTION TO THIS HYPOTHETICAL PROBLEM, HE SUGGESTED, MIGHT BE FOR AMERICAN FIRMS TO REINSURE RISKS WITH DARAG AND/OR EMPLOY GDR DAMAGE AVERAGING AGENCY (GESELLSCHAFT DER HAVARIE-KOMMISSARE MBH).KLEIN

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